Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
8YY Access Charge Reform	)	WC Docket No. 18-156
	)	

COMMENTS OF GCI COMMUNICATION CORP.

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I. INTRODUCTION AND EXECUTIVE SUMMARY

On behalf of itself and its operating subsidiaries, including long distance as well as local carriers, GCI Communication Corp. ("GCI") submits these comments in response to the Commission's Further Notice of Proposed Rulemaking to implement the reforms for access charges for 8YY traffic that were adopted in the *USF/ICC Transformation Order*.[1]

GCI supports the Commission's proposal to transition originating access charges for 8YY calls to bill-and-keep over a three-year period. Consistent with the underlying economics, the Commission's approach would restore the treatment of calls to 8YY numbers as more like terminating than originating calls and is faithful to the decision already made in the *Transformation Order* to move away from implicit access charge subsidies altogether.

Any bill-and-keep compensation system requires clear definition of the network edge—the point in the transmission where each party's financial obligation begins and ends. GCI encourages the Commission to adopt an approach to the network edge for purposes of 8YY traffic that accommodates the unique network architecture in Alaska, where there are no tandem switches and where long distance providers carry almost all traffic that leaves the local exchange. For most 8YY traffic in Alaska, the network edge should be defined as the end office serving the calling party. Originating carriers may choose to establish an alternative network edge for 8YY traffic but would be responsible for all costs to originate the call and carry it to the alternative network edge. As an important corollary to the definition of network edge, the Commission should make clear that originating carriers must offer interconnection to IXCs at the

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[1] *8YY Access Charge Reform*, Further Notice of Proposed Rulemaking, FCC 18-76, WC Docket No. 18-156 (rel. June 8, 2018) ("*Further Notice*"); *Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17,663 (2011) ("*USF/ICC Transformation Order*"), *pets. for review denied sub nom. in re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

network edge. This pair of requirements will ensure both that originating LECs are not financially responsible for carrying 8YY traffic beyond the network they control and that IXCs are not subject to unnecessary transport and transit charges.

GCI also notes that in some cases, a single call may only be routed correctly to the 8YY customer after multiple database dips. Specifically, if a carrier in the call chain has not implemented SS7, the information from the query will not be included in the signaling information associated with the call. GCI believes that in this limited circumstance, the Commission should consider a more flexible approach that allows multiple legitimate query charges to be passed through to the 8YY customer's IXC.

These accommodations for Alaska's unique network architecture, combined with the Commission's own proposals, will move Alaska further toward a more predictable and sustainable system of intercarrier compensation.

II. BACKGROUND

8YY traffic is a type of interexchange traffic. Alaska's interexchange networks are different from those in the Lower 48 in ways that the Commission should take into account as it implements intercarrier compensation reforms. GCI describes here how Alaska's interexchange system differs from a more typical architecture and offers its recent experiences as an 8YY service provider in Alaska.

A. Alaska's Networks Are Different from Typical Networks in the Lower 48

Alaska's communications network developed differently from those in the Lower 48. The Bell System never reached Alaska. The U.S. military constructed facilities for

communication in the early part of the 20th century to connect military outposts.[2] The network, which became known as the Alaska Communications System (not to be confused with the subsequent, similarly-named incumbent LEC), expanded landline operations at the dawn of World War II to avoid interception of radio communications by the Japanese.[3] The military and its contractors continued expanding facilities to other portions of Alaska until President Nixon (and subsequently the Commission) approved the sale of the Alaska Communications System from the military to RCA in 1969.[4] RCA's subsidiary Alascom was the sole authorized provider of interexchange service. At this point, many Bush communities remained without interexchange service, and in some cases without local service.[5]

After disputes over how best to bring interexchange service to remote villages, in the mid-1970s Alascom installed 100 earth stations to provide interexchange communications via satellite, on a monopoly basis.[6] GCI was founded in 1979 with the goal of providing competitive interexchange services.[7] In 1982, the Commission authorized GCI to provide competitive

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2 *See* Heather E. Hudson, CONNECTING ALASKANS, at 14-16 (2015) ("CONNECTING ALASKANS").

3 *See id.* at 25-27.

4 *See Applications of RCA Alaska Communications Inc. etc.*, Memorandum Opinion and Order, 22 F.C.C.2d 200, 200 ¶ 1, 209, ¶ 24 (1970) (noting that the sale of Alaska Communications System to RCA Alaska Communications was approved on June 25, 1969, and approving in principle the transfer of control pursuant to sections 214 and 309).

5 *See* CONNECTING ALASKANS at 57-60.

6 *See id.* at 116; *MTS-WATS Market Structure Inquiry*, Second Report and Order, 92 F.C.C.2d 787 (1982) (noting that "Alascom has been the sole supplier of interstate and intrastate interexchange service in Alaska since 1971") ("*MTS-WATS Alaska Order*").

7 *See* GCI, Milestones, https://www.gci.com/about/milestones.

interstate interexchange services in more urban areas,[8] and in 1991 the Alaska Public Utilities Commission (now the Regulatory Commission of Alaska) authorized GCI to provide intrastate interexchange services, bringing competition to this market for the first time.[9]

As a result of the late development of interexchange service in Bush communities, their often vast distances from each other, and the lack of terrestrial interexchange facilities that persists today in some areas, there are no tandem switches in Alaska,[10] and there was no need for LATAs. Every ILEC interconnects with one or more IXCs in each of its local exchanges, except in a few cases where the Regulatory Commission of Alaska has authorized extended area service. These interexchange links remain an important part of distributing and delivering all telecommunications traffic, around Alaska. These real differences must be recognized in the Commission's approach to intercarrier compensation in Alaska for the benefits of bill-and-keep to be realized.

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8 *See MTS-WATS Alaska Order* at 787 (permitting new carriers to enter the Alaskan interstate voice market).

9 *See GCI Communication Corporation*, Order Approving Application Subject to Conditions and Requiring Tariff Filing, U-91-11(1) (RCA 1991) (granting GCI a certificate of public convenience and necessity to furnish intrastate interexchange service). Restrictions on duplicate earth stations in Bush communities persisted at the Regulatory Commission of Alaska until 2000 and the Federal Communications Commission until 2003. *See Consideration of the Reform of Intrastate Interexchange Telecommunications Market Structure and Regulations in Alaska*, Docket R-98-1, Order No. 6 (RCA, Nov. 20, 2000); *Policy for Licensing Domestic Satellite Earth Stations in the Bush Communities of Alaska*, Report and Order, 18 FCC Rcd. 16,874 (2003).

10 *See Re Nonrate Provisions of a Tariff Governing Access Charge Payments by Intrastate Interexchange Carriers to Local Exchange Carriers*, APUC U-90-26, Orders 6 and 9; 10 APUC 486, 489 (1990) and 11 APUC 37, 39 (1991). The Alaska Public Utilities Commission (now known as the Regulatory Commission of Alaska) restricted ILECs from installing access tandems without explicit Commission approval to ensure that they would not reduce the scope and extent of long distance competition. As a result, access tandems were never allowed in Alaska.

B. GCI's Recent Experiences with 8YY Traffic

8YY traffic is a substantial portion of interexchange traffic in Alaska. Recently, GCI has been carrying approximately 13 million minutes of interexchange traffic each month, about two-thirds of which is interstate traffic. Over forty percent of the interstate interexchange calls that GCI carries are toll-free calls leaving the State of Alaska. GCI's average monthly minutes for the last 6 months are shown in Table 1.

Table 1:
GCI interexchange traffic summary, Feb. 21-Aug. 20, 2018

	8YY		**non-8YY**		
	average monthly minutes	% of total	average monthly minutes	% of total	**totals**
intrastate	430,000	3.3%	4,070,000	31.7%	4,500,000
interstate	2,800,000	21.8%	5,550,000	43.2%	8,350,000
totals	3,230,000	25.1%	9,620,000	74.9%	12,850,000

Under the intercarrier compensation rules as they currently stand, terminating rates are substantially lower than originating rates. For price cap carriers, terminating switched end office and transport rates are at bill-and-keep. For rate-of-return carriers, terminating switched end office rates are $0.00213 and by July 1, 2020 will be at bill-and-keep, while terminating transport is capped at 2012 interstate levels. Originating switching and transport rates—which are the rates that currently apply to 8YY traffic—are much higher. For price cap carriers, originating switched access rate elements are capped at 2011 levels but have not been reduced further. For rate-of-return carriers, originating interstate switched access rate elements are capped at 2011 levels, but originating intrastate elements are not.[11]

[11] *See USF/ICC Transformation Order* at 17,934-35, Fig. 9.

As a result, GCI pays LECs substantial sums to pick up and terminate their customers' 8YY calls. Although toll-free traffic accounts for 25 percent of the interexchange minutes that GCI carries, it accounts for 56 percent of the access charges that GCI pays to LECs. (That figure does not include the additional charges that GCI pays LECs for 800 database dips.) Ultimately, the originating access charges, which are implicit subsidies to the LECs that assess them, are passed along to GCI's carrier and toll-free customers. Table 2 shows the disproportionate amount of access charges that GCI pays for 8YY traffic.

Table 2:
GCI interexchange traffic summary, Feb. 21-Aug. 20, 2018

	8YY		**non-8YY**	
	% of total minutes (from Table 1)	% of total access payments	% of total minutes (from Table 1)	% of total access payments
intrastate	3.3%	6.6%	31.7%	21.6%
interstate	21.8%	49.8%	43.2%	22.0%
totals	25.1%	56.4%	74.9%	43.6%

III. DISCUSSION

GCI supports the Commission's proposals to bring rates for originating 8YY traffic in line with rates for terminating traffic. As with any bill-and-keep arrangement, each carrier must know precisely where its financial obligations begin and end. Similar to what GCI has proposed for non-8YY traffic, GCI encourages the Commission to establish a default network edge in the calling party's local exchange and to create an obligation for originating LECs to interconnect with IXCs at the network edge.

A. The Commission Should Adopt Its Proposal To Transition Originating Access Charges for 8YY to Bill-and-Keep Over a Three-Year Period

GCI supports the Commission's proposal to move originating access charges for calls to 8YY numbers to bill-and-keep.[12] This action will accomplish several goals. First, it will restore the treatment of calls to 8YY numbers to the way they were treated before the *Transformation Order*, as terminating traffic. As the Commission acknowledges in the *Further Notice* and as explained by GCI and others in prior comments, the Commission historically treated calls to 8YY numbers as terminating calls for access purposes.[13] Like the terminating end of a toll call, the IXC is unable, through its own rates, to encourage the 8YY caller to select a LEC that charges lower access rates. The caller (for an 8YY call) or the called party (for a non-8YY call) does not pay a toll charge to the IXC, and therefore is insensitive to the level of access charges that the LEC charges the IXC and which become part of the cost of the IXC's service. Restoring the treatment of 8YY traffic as similar to terminating non-8YY traffic acknowledges and addresses the lack of incentives that otherwise exist to pressure LECs to reduce their access charges.

Moreover, for non-8YY traffic, IXCs can choose to offer service in areas without excessive originating access charges, but IXCs cannot do that for 8YY traffic. They must get traffic to their 8YY customers, even if that traffic originates in areas with high originating access charges. Like terminating access that the IXC cannot avoid, the 8YY traffic should receive similar treatment.

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12 *See Further Notice* at ¶ 31.

13 *See Further Notice* ¶¶ 8-9; Comments of General Communication, Inc. in Response to Public Notice Asking Parties To Refresh the Record Regarding 8YY Access Charge Reform, WC Docket Nos. 10-90 & 07-135, CC Docket No. 01-92 at 3-4 (filed July 31, 2017).

Moreover, moving 8YY traffic to bill-and-keep further implements the decision that the Commission already made to move away from carrier-paid access charges to a system of bill-and-keep for all switched traffic, including originating traffic.[14] The Commission has already made the decision that bill-and-keep fosters more competition, is simpler to administer, and prevents arbitrage and marketplace distortions.[15] Moving 8YY traffic to bill-and-keep has the same benefits as moving other kinds of traffic to bill-and-keep and is just a part of the larger transition away from the old implicit subsidy system.

GCI supports the Commission's proposal to stage the transition to bill-and-keep for originating 8YY traffic over three years.[16] Flash cuts can impose hardships on carriers, particularly carriers with substantial public interest obligations.[17] A three-year transition period affords a reasonable period to make adjustments.

The Commission asks whether carriers should receive support to replace the implicit subsidies that access charges for 8YY calls currently provide.[18] GCI takes no position on whether replacement support is necessary or appropriate. But any replacement support, if the Commission decides to provide it, should come from a source other than an existing high-cost program with a fixed budget. Specifically for GCI, any replacement support for Alaska LECs should come from a source other than the Alaska Plan, which provides fixed amounts of support

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14 *See USF/ICC Transformation Order* at 17,942 ¶ 817.

15 *See id.* at 17,906 ¶ 742-43, 17,908 ¶ 745, 17,911 ¶ 752.

16 *See Further Notice* ¶ 30.

17 *See* Reply Comments of General Communication, Inc. in Response to Public Notice Asking Parties To Refresh the Record Regarding 8YY Access Charge Reform, WC Docket Nos. 10-90 & 07-135, CC Docket No. 01-92, at 4 (filed Aug. 15, 2017).

18 *See Further Notice* ¶ 64.

to participating ILECs and CMRS providers in exchange for specific, tailored obligations to deploy broadband over a ten-year period.[19] Reducing that support to replace 8YY originating access would upend the carefully calibrated commitments that the Alaska Plan participants have made in reliance on a firm commitment for a fixed amount of support.

B. In Alaska, the Default Network Edge for 8YY Traffic Should Be a Point of Interconnection in the Local Exchange of the Calling Party

The Commission asks whether defining the "network edge" for purposes of 8YY traffic needs a "distinct approach" from defining the network edge for other types of traffic. The Commission also asks whether Alaska (or other places) require a different definition of the network edge for 8YY traffic than other areas.[20]

In response to the *Network Edge Refresh PN*,[21] GCI offered a way to define the default network edge for non-8YY traffic.[22] As explained here, the same approach would work for 8YY traffic, but treating the originating end of the 8YY call as if it were the terminating end of a toll call.

For non-8YY traffic, GCI offered a proposal for defining the network edge and establishing interconnection obligations. Specifically, GCI proposed that, as a default approach:

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19 *See Connect America Fund et al.*, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd. 10,139, 10,140 ¶ 1 (2016).

20 *See Further Notice* ¶ 85.

21 *Parties Asked to Refresh the Record on Intercarrier Compensation Reform Related to the Network Edge, Tandem Switching and Transport, and Transit*, Public Notice, 32 FCC Rcd. 6856 (Wireline Comp. Bur. 2017) ("*Network Edge Refresh PN*").

22 *See* Comments of General Communication, Inc. in Response to the Public Notice to Refresh the Record on Intercarrier Compensation Reform Related to the Network Edge, Tandem Switching and Transport, and Transit, WC Docket No. 10-90 & CC Docket No. 01-92 (filed Oct. 26, 2017); Reply Comments of General Communication, Inc. in Response to the Public Notice To Refresh the Record on Intercarrier Compensation Reform Related to the Network Edge, Tandem Switching and Transport, and Transit, WC Docket No. 10-90 & CC Docket No. 01-92 (filed Nov. 20, 2017) ("GCI Network Edge Reply").

(1) Every fixed carrier has a default network edge at the end office serving the called party; if the fixed carrier decides to move its default network edge from the end office serving the called party, the cost of transport to and from the end office will be borne by the fixed carrier; (2) Terminating carriers may establish their network edge in an alternative location but are responsible for all costs to transport and terminate traffic from their alternative edge to the called party; and (3) Terminating carriers must offer direct interconnection at the default network edge or direct or indirect interconnection at an alternative network edge. If the carrier refuses to offer direct interconnection to a requesting carrier at the default network edge, then it may not charge originating transport to the requesting carrier to any point outside of its local service area for that exchange. Parties remain free to negotiate alternative arrangements.[23]

This approach for *terminating* non-8YY traffic would also work for *originating* 8YY traffic. Specifically, GCI encourages the Commission to adopt the following as the default approach to the network edge for 8YY traffic in Alaska:

1. Every fixed carrier has a default network edge at the end office serving the party placing an 8YY call. If the originating carrier has no end office in the exchange serving that party, its default network edge for purposes of 8YY traffic is its point of interconnection in the exchange serving the called party.[24]

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[23] GCI Network Edge Reply at 1-2. GCI's Reply provided additional details and exceptions that do not need to be repeated here.

[24] To the extent that a LEC utilizes remote switches in some areas that subtend a host switch, its default network edge can be the host switch if within the local exchange serving the calling party. Otherwise, it may designate the host switch as an alternative network edge as described below and bear financial responsibility for transport between the host and remote switches, including for any direct trunked transport or other dedicated transport.

2. Originating carriers may establish their network edge for 8YY traffic in an alternative location within Alaska but are responsible for all costs to originate and transport the traffic from the calling party to the alternative network edge.
3. Originating carriers must offer direct interconnection to interexchange carriers at the default network edge, or direct or indirect interconnection at an alternative network edge.
4. Providers may establish by mutual agreement other points of interconnection and financial responsibility arrangements.

This approach for Alaska fairly balances financial obligations between originating LECs and IXCs for 8YY traffic and establishes clear rules regarding interconnection. First, by placing the default network edge in the originating carrier's local exchange, the originating carrier is not responsible for any transport costs outside the local exchange of the calling party that it does not choose to take on.

Second, the approach recognizes that originating carriers may prefer to establish an alternative network edge outside the exchange serving the calling party. For example, an Alaska LEC may wish to establish a hub in Anchorage to which it transits all 8YY (and possibly other) traffic from multiple exchanges. This may be a useful and efficient arrangement as more traffic shifts from TDM to IP and LECs can more efficiently transit the traffic within Alaska. If the originating carrier uses an alternative network edge outside its exchange, it bears the financial responsibility for the portion of the 8YY call within the exchange and transport to the alternative network edge. This encourages efficiencies while preventing originating carriers from collecting fees from IXCs for unnecessary transport.

Finally, the interconnection requirement is a necessary component of the proposal. Originating carriers must permit IXCs to interconnect at the network edge. This will prevent originating LECs from artificially inflating the costs of the IXC by forcing it to pick up the call elsewhere (increasing its transit and transport expense) or from another IXC, such as an affiliate of the originating LEC, that might charge it for transit. By requiring originating LECs to interconnect with requesting IXCs, the Commission would both ensure that originating carriers do not have the opportunity to inject unnecessary transit and transport costs into the 8YY call path and would promote competition among IXCs willing to interconnect at Alaska's end offices and provide 8YY services.[25]

This proposal for Alaska is consistent with the Commission's existing interpretation of the interconnection obligations set forth in section 251. Some incumbent LECs are subject to the clear direct interconnection mandates of section 251(c), the scope of which covers the proposal here. Section 251(c), however, applies only to ILECs and may not apply to certain rural ILECs that retain the Section 251(f) rural exemption.[26] For such carriers, section 251(a) provides sufficient authority for the Commission to require interconnection at the network edge in Alaska.

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[25] IXCs—particularly IXCs without a presence in Alaska—may choose to make arrangements among each other to carry traffic from the network edge to the 8YY customer; nothing here would require the 8YY customer's IXC to carry the traffic itself from the network edge, as opposed to purchasing that transport from a third party.

[26] 47 U.S.C. § 251(c)(2) (requiring ILECs to "provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the local exchange carrier's network . . ."); § 251(f)(1) (exempting rural ILECs from the requirements of section 251(c) until they receive a bona fide request for interconnection and the state commission determines that the request "is not unduly economically burdensome, is technically feasible, and is consistent with section 254 of this title (other than subsections (b)(7) and (c)(1)(D) thereof"); § 251(f)(2) (allowing any LEC with fewer than 2% of the Nation's subscriber lines to petition the state commission to suspend or modify requirements of section 251(c)).

Under section 251(a), all telecommunications carriers—including ILECs, CLECs, and CMRS providers—are required "to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers."[27] The Commission has previously read the provision not to require direct interconnection from a carrier that does not wish to offer it; rather, a carrier can meet its Section 251(a) obligations through indirect interconnection.[28] So too here. Under the proposal above, the originating carrier could satisfy its section 251(a) interconnection obligations through indirect interconnection so long as it absorbed the costs of transporting 8YY calls to a point of interconnection. This would not impose any undue burdens on the originating carrier because the originating carrier could always avoid those costs by accepting requests for direct interconnection in the exchange serving the called party, which also would satisfy the originating carrier's obligations under section 251(a).[29]

This approach would have benefits similar to those of direct interconnection at the default network edge. Whether the originating carrier self-provisions transport from the calling party to the alternative network edge back to the called party or uses the transport services of a third party, such as an IXC, the originating carrier bears the cost. The originating carrier will therefore have incentives to use the most efficient routes possible and to self-provision facilities when the costs of doing so are economically justified.

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[27] 47 U.S.C. § 251(a).

[28] *See Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers*, First Report and Order, 11 FCC Rcd. 15,499, 15,969 ¶ 997 (1996) (subsequent history omitted).

[29] If an originating carrier has designed its network so that interconnection is technically infeasible in a caller's exchange, it is reasonable and equitable for the carrier that has avoided those network costs to bear the costs of transporting that traffic to an alternate network edge.

C. The Commission Should Permit Charges for Multiple Database Dips When a Carrier Has Not Deployed SS7

As part of its effort to tame charges for 8YY services, the Commission proposed to "prohibit carriers from assessing more than one database query charge per call, even if more than one carrier handles the call before it is handed off to an IXC."[30] GCI agrees that this is appropriate in most circumstances. However, in some instances, there are legitimate reasons for querying the database more than once and passing on the associated charges. Specifically, if any of the carriers handling the call has not implemented SS7, the information about which IXC serves the 8YY customer will not be embedded into the signaling information for the call even after the carrier queries the 800 database. As a result, the next carrier will need to query the database again to identify the correct IXC to which to route the call. GCI believes that it is appropriate in this limited circumstance for multiple legitimate query charges to be passed through to the 8YY customer's IXC.

[30] *Further Notice* ¶¶ 30, 77.

IV. CONCLUSION

The Commission's proposals for modernizing the treatment of 8YY traffic move the industry closer to the goals articulated in the *USF/ICC Transformation Order*. With appropriate considerations for Alaska's unique network architecture, the approach will serve Alaska's industry and consumers well.

Respectfully submitted,

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